

# ESSEX

PROPERTY TRUST, INC.

## ESSEX ANNOUNCES FOURTH QUARTER AND FULL-YEAR 2023 RESULTS AND 2024 GUIDANCE

San Mateo, California—February 6, 2024—Essex Property Trust, Inc. (NYSE: ESS) (the “Company”) announced today its fourth quarter and full-year 2023 earnings results and related business activities.

Net Income, Funds from Operations (“FFO”), and Core FFO per diluted share for the three and twelve months ended December 31, 2023 are detailed below.

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2023	2022	% Change	2023	2022	% Change
<u>Per Diluted Share</u>						
Net Income	<b>\$1.02</b>	\$2.86	-64.3%	<b>\$6.32</b>	\$6.27	0.8%
Total FFO	<b>\$3.87</b>	\$3.77	2.7%	<b>\$15.24</b>	\$13.70	11.2%
Core FFO	<b>\$3.83</b>	\$3.77	1.6%	<b>\$15.03</b>	\$14.51	3.6%

### Fourth Quarter and Full-Year 2023 Highlights:

- Reported Net Income per diluted share for the fourth quarter of 2023 of \$1.02, compared to \$2.86 in the fourth quarter of 2022. For the full-year 2023, the Company reported Net Income per diluted share of \$6.32 compared to \$6.27 in 2022.
- Grew Core FFO per diluted share by 1.6% compared to the fourth quarter of 2022 and 3.6% compared to the full-year 2022, exceeding the high-end of the Company’s original guidance range.
- Achieved same-property revenues and net operating income (“NOI”) growth of 2.9% and 2.3%, respectively, compared to the fourth quarter of 2022. For the full-year 2023, same-property revenues and NOI grew 4.4% and 4.3%, respectively, both exceeding the midpoint of the Company’s original guidance range.
- For the full-year 2023, the Company disposed of one apartment community in a non-core market for a total contract price of \$91.7 million.
- For the full-year 2023, the Company committed \$18.8 million to two preferred equity investments at a weighted average return rate of 12.6%. The Company received \$72.3 million in redemption proceeds from four preferred equity investments at a weighted average return rate of 9.1%.
- For the full-year 2023, the Company repurchased 437,026 shares of its common stock, totaling \$95.7 million at an average price per share of \$218.88.
- As of February 2, 2024, the Company’s immediately available liquidity was approximately \$1.6 billion.

### SAME-PROPERTY OPERATIONS

Same-property operating results exclude any properties that are not comparable for the periods presented. The table below illustrates the percentage change in same-property gross revenues for the quarter ended December 31, 2023 compared to the quarter ended December 31, 2022, and the sequential percentage change for the quarter ended December 31, 2023 compared to the quarter ended September 30, 2023, by submarket for the Company:

	Q4 2023 vs. Q4 2022	Q4 2023 vs. Q3 2023	% of Total Q4 2023 Revenues
<b>Southern California</b>			
Los Angeles County	-0.4%	-0.6%	18.4%
Orange County	4.0%	1.8%	10.7%
San Diego County	8.2%	1.3%	9.1%
Ventura County	7.2%	1.5%	4.1%
<b>Total Southern California</b>	<b>3.2%</b>	<b>0.6%</b>	<b>42.3%</b>
<b>Northern California</b>			
Santa Clara County	3.7%	-0.7%	19.6%
Alameda County	1.6%	-0.5%	7.7%
San Mateo County	6.1%	1.7%	4.7%
Contra Costa County	3.4%	1.6%	5.4%
San Francisco	0.0%	2.3%	2.5%
<b>Total Northern California</b>	<b>3.3%</b>	<b>0.1%</b>	<b>39.9%</b>
<b>Seattle Metro</b>	<b>1.3%</b>	<b>0.8%</b>	<b>17.8%</b>
<b>Same-Property Portfolio</b>	<b>2.9%</b>	<b>0.5%</b>	<b>100.0%</b>

The table below illustrates the components that drove the change in same-property revenues on a year-over-year basis for the three and twelve-month periods ended December 31, 2023 and on a sequential basis for the three months ended December 31, 2023.

Same-Property Revenue Components	Q4 2023 vs. Q4 2022	YTD 2023 vs. YTD 2022	Q4 2023 vs. Q3 2023
Scheduled Rents	2.4%	4.4%	0.1%
Delinquencies <sup>(1)</sup>	-0.4%	-0.7%	0.5%
Cash Concessions	0.7%	0.1%	0.0%
Vacancy	0.0%	0.2%	-0.3%
Other Income	0.2%	0.4%	0.2%
<b>2023 Same-Property Revenue Growth</b>	<b>2.9%</b>	<b>4.4%</b>	<b>0.5%</b>

- (1) The year-over-year negative impact from delinquencies is largely due to lower net delinquency in the prior period, which benefitted from Emergency Rental Assistance payments of \$2.6 million and \$34.5 million in the fourth quarter and full-year 2022, respectively. This compares to Emergency Rental Assistance payments of \$0.5 million and \$2.6 million in the fourth quarter and full-year 2023, respectively. For additional details, please see page S-16 of the accompanying supplemental financial information.

	<u>Year-Over-Year Change</u>			<u>Year-Over-Year Change</u>		
	<u>Q4 2023 compared to Q4 2022</u>			<u>YTD 2023 compared to YTD 2022</u>		
	<u>Revenues</u>	<u>Operating Expenses</u>	<u>NOI</u>	<u>Revenues</u>	<u>Operating Expenses</u>	<u>NOI</u>
Southern California	3.2%	6.1%	2.1%	4.9%	6.3%	4.3%
Northern California	3.3%	5.5%	2.4%	4.0%	4.1%	4.0%
Seattle Metro	1.3%	-1.6%	2.5%	4.0%	1.4%	5.1%
<b>Same-Property Portfolio</b>	<b>2.9%</b>	<b>4.5%</b>	<b>2.3%</b>	<b>4.4%</b>	<b>4.5%</b>	<b>4.3%</b>

	<u>Sequential Change</u>		
	<u>Q4 2023 compared to Q3 2023</u>		
	<u>Revenues</u>	<u>Operating Expenses</u>	<u>NOI</u>
Southern California	0.6%	-1.4%	1.5%
Northern California	0.1%	-0.1%	0.3%
Seattle Metro	0.8%	-5.5%	3.5%
<b>Same-Property Portfolio</b>	<b>0.5%</b>	<b>-1.6%</b>	<b>1.3%</b>

	<u>Financial Occupancies</u>		
	<u>Quarter Ended</u>		
	<u>12/31/2023</u>	<u>9/30/2023</u>	<u>12/31/2022</u>
Southern California	95.9%	96.3%	96.4%
Northern California	96.2%	96.5%	95.8%
Seattle Metro	96.5%	96.3%	95.8%
<b>Same-Property Portfolio</b>	<b>96.1%</b>	<b>96.4%</b>	<b>96.0%</b>

## INVESTMENT ACTIVITY

### *Other Investments*

In December 2023, the Company received cash proceeds of \$40.5 million from the full redemption of one preferred equity investment yielding a 9.0% rate of return.

## LIQUIDITY AND BALANCE SHEET

### *Common Stock*

In the fourth quarter of 2023, the Company did not issue any shares of common stock through its equity distribution program or repurchase any shares through its stock repurchase plan. For the full-year 2023, the Company repurchased 437,026 shares of its common stock totaling \$95.7 million, including commissions, at an average price per share of \$218.88. As of February 2, 2024, the Company had \$302.7 million of purchase authority remaining under its stock repurchase plan.

### ***Balance Sheet***

In the fourth quarter of 2023, the Company recognized a \$33.7 million impairment on one preferred equity investment located in Oakland, CA. The impairment does not impact Total or Core FFO. The Company stopped accruing income on the investment in the fourth quarter of 2022 and therefore did not recognize income from this investment in 2023. The investment is not currently in default.

As of February 2, 2024, the Company had approximately \$1.6 billion in liquidity via undrawn capacity on its unsecured credit facilities, cash and cash equivalents, and marketable securities.

### **2024 FULL-YEAR GUIDANCE AND KEY ASSUMPTIONS**

<b><u>Per Diluted Share</u></b>	<b><u>Range</u></b>	<b><u>Midpoint</u></b>	
Net Income	\$5.05 - \$5.59	\$5.32	
Total FFO	\$14.46 - \$15.00	\$14.73	
Core FFO	\$14.76 - \$15.30	\$15.03	
Q1 2024 Core FFO	\$3.68 - \$3.80	\$3.74	
<b><u>U.S. Economic Assumptions</u></b>			
GDP Growth	1.30%		
Job Growth	1.20%		
<b><u>ESS Markets Economic Assumptions</u></b>			
Job Growth	1.30%		
Market Rent Growth	1.25%		
<b><u>Estimated Same-Property Portfolio Growth Based on 50,884 Apartment Homes</u></b>			
	<b><u>Range</u></b>	<b><u>Midpoint Cash-Basis</u></b>	<b><u>Midpoint GAAP-Basis</u></b>
Revenues	0.70% to 2.70%	1.70%	1.80%
Operating Expenses	3.50% to 5.00%	4.25%	4.25%
Net Operating Income	-1.10% to 2.30%	0.60%	0.70%

### **KEY ASSUMPTIONS**

- Acquisition and disposition activities will be influenced by market conditions and cost of capital, consistent with the Company's historical practice of creating NAV and FFO per share.
- Structured finance redemptions are expected to be \$50 - \$150 million. The proceeds will be prioritized to fund future acquisitions, subject to market conditions.
- The Company has minimal development funding needs and does not currently plan to start any new developments in 2024.
- Revenue generating capital expenditures are expected to be approximately \$50 million at the Company's pro rata share.

## 2024 CORE FFO PER DILUTED SHARE GUIDANCE MIDPOINT VERSUS FULL-YEAR 2023

The table below provides a summary of changes between the Company's 2023 Core FFO per diluted share and its 2024 Core FFO per diluted share guidance midpoint.

<b>2024 Core FFO Per Diluted Share Guidance Midpoint versus 2023</b>		<b>Midpoint</b>
2023 Core FFO Per Diluted Share	\$	15.03
NOI from Consolidated Communities		0.14
Consolidated Net Interest Expense		0.04
Interest and Other Income		0.02
FFO from Co-Investments, including preferred equity		(0.16)
G&A and Other		(0.04)
<b>2024 Core FFO Per Diluted Share Guidance Midpoint</b>	<b>\$</b>	<b>15.03</b>

For additional details regarding the Company's 2024 FFO guidance range, please see page S-14 of the supplemental financial information.

### CONFERENCE CALL WITH MANAGEMENT

The Company will host an earnings conference call with management to discuss its quarterly results on Wednesday, February 7, 2024 at 11:00 a.m. PT (2:00 p.m. ET), which will be broadcast live via the Internet at [www.essex.com](http://www.essex.com), and accessible via phone by dialing toll-free, (877) 407-0784, or toll/international, (201) 689-8560. No passcode is necessary.

A rebroadcast of the live call will be available online for 30 days and digitally for 7 days. To access the replay online, go to [www.essex.com](http://www.essex.com) and select the fourth quarter 2023 earnings link. To access the replay, dial (844) 512-2921 using the replay pin number 13743418. If you are unable to access the information via the Company's website, please contact the Investor Relations Department at [investors@essex.com](mailto:investors@essex.com) or by calling (650) 655-7800.

### CORPORATE PROFILE

Essex Property Trust, Inc., an S&P 500 company, is a fully integrated real estate investment trust (REIT) that acquires, develops, redevelops, and manages multifamily residential properties in selected West Coast markets. Essex currently has ownership interests in 252 apartment communities comprising approximately 62,000 apartment homes with an additional property in active development. Additional information about the Company can be found on the Company's website at [www.essex.com](http://www.essex.com).

This press release and accompanying supplemental financial information has been furnished to the Securities and Exchange Commission electronically on Form 8-K and can be accessed from the Company's website at [www.essex.com](http://www.essex.com). If you are unable to obtain the information via the Web, please contact the Investor Relations Department at (650) 655-7800.

## FFO RECONCILIATION

FFO, as defined by the National Association of Real Estate Investment Trusts (“NAREIT”), is generally considered by industry analysts as an appropriate measure of performance of an equity REIT. Generally, FFO adjusts the net income of equity REITs for non-cash charges such as depreciation and amortization of rental properties, impairment charges, gains on sales of real estate and extraordinary items. Management considers FFO and FFO which excludes non-core items, which is referred to as “Core FFO,” to be useful supplemental operating performance measures of an equity REIT because, together with net income and cash flows, FFO and Core FFO provide investors with additional bases to evaluate the operating performance and ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures and to pay dividends. By excluding gains or losses related to sales of depreciated operating properties and land and excluding real estate depreciation (which can vary among owners of identical assets in similar condition based on historical cost accounting and useful life estimates), FFO can help investors compare the operating performance of a real estate company between periods or as compared to different companies. By further adjusting for items that are not considered part of the Company’s core business operations, Core FFO allows investors to compare the core operating performance of the Company to its performance in prior reporting periods and to the operating performance of other real estate companies without the effect of items that by their nature are not comparable from period to period and tend to obscure the Company’s actual operating results. FFO and Core FFO do not represent net income or cash flows from operations as defined by U.S. generally accepted accounting principles (“GAAP”) and are not intended to indicate whether cash flows will be sufficient to fund cash needs. These measures should not be considered as alternatives to net income as an indicator of the REIT’s operating performance or to cash flows as a measure of liquidity. FFO and Core FFO do not measure whether cash flow is sufficient to fund all cash needs including principal amortization, capital improvements and distributions to stockholders. FFO and Core FFO also do not represent cash flows generated from operating, investing or financing activities as defined under GAAP. Management has consistently applied the NAREIT definition of FFO to all periods presented. However, there is judgment involved and other REITs’ calculation of FFO may vary from the NAREIT definition for this measure, and thus their disclosures of FFO may not be comparable to the Company’s calculation.

The following table sets forth the Company’s calculation of diluted FFO and Core FFO for the three and twelve months ended December 31, 2023 and 2022 (in thousands, except for share and per share amounts):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Funds from Operations attributable to common stockholders and unitholders</b>				
Net income available to common stockholders	\$ 65,391	\$ 185,165	\$ 405,825	\$ 408,315
Adjustments:				
Depreciation and amortization	138,016	135,758	548,438	539,319
Gains not included in FFO	-	(94,416)	(59,238)	(111,839)
Casualty loss	-	-	433	-
Impairment loss from unconsolidated co-investments	33,700	2,105	33,700	2,105
Depreciation and amortization from unconsolidated co-investments	18,259	18,053	71,745	72,585
Noncontrolling interest related to Operating Partnership units	2,302	6,497	14,284	14,297
Depreciation attributable to third party ownership and other	(379)	(357)	(1,474)	(1,421)
<b>Funds from Operations attributable to common stockholders and unitholders</b>	<u>\$ 257,289</u>	<u>\$ 252,805</u>	<u>\$ 1,013,713</u>	<u>\$ 923,361</u>
<b>FFO per share – diluted</b>	<u>\$ 3.87</u>	<u>\$ 3.77</u>	<u>\$ 15.24</u>	<u>\$ 13.70</u>
Expensed acquisition and investment related costs	\$ 220	\$ 1,884	\$ 595	\$ 2,132
Tax (benefit) expense on unconsolidated co-investments <sup>(1)</sup>	(540)	(2,373)	697	(10,236)
Realized and unrealized (gains) losses on marketable securities, net	(5,712)	(5,579)	(10,006)	45,547
Provision for credit losses	19	(317)	70	(381)
Equity (income) loss from non-core co-investments <sup>(2)</sup>	(263)	6,928	(1,685)	38,045
Loss on early retirement of debt, net	-	-	-	2
Loss on early retirement of debt from unconsolidated co-investment	-	-	-	988
Co-investment promote income	-	-	-	(17,076)
Income from early redemption of preferred equity investments and notes receivable	-	(811)	(285)	(1,669)
General and administrative and other, net	4,059	209	6,629	2,536
Insurance reimbursements, legal settlements, and other, net	(739)	(315)	(9,821)	(5,392)
<b>Core Funds from Operations attributable to common stockholders and unitholders</b>	<u>\$ 254,333</u>	<u>\$ 252,431</u>	<u>\$ 999,907</u>	<u>\$ 977,857</u>
<b>Core FFO per share – diluted</b>	<u>\$ 3.83</u>	<u>\$ 3.77</u>	<u>\$ 15.03</u>	<u>\$ 14.51</u>
Weighted average number of shares outstanding diluted <sup>(3)</sup>	<u>66,447,394</u>	<u>67,003,718</u>	<u>66,514,456</u>	<u>67,374,526</u>

(1) Represents tax related to net unrealized gains or losses on technology co-investments.

(2) Represents the Company's share of co-investment income or loss from technology co-investments.

(3) Assumes conversion of all outstanding limited partnership units in Essex Portfolio, L.P. (the “Operating Partnership”) into shares of the Company’s common stock and excludes DownREIT limited partnership units.

## NET OPERATING INCOME (“NOI”) AND SAME-PROPERTY NOI RECONCILIATIONS

NOI and same-property NOI are considered by management to be important supplemental performance measures to earnings from operations included in the Company’s consolidated statements of income. The presentation of same-property NOI assists with the presentation of the Company’s operations prior to the allocation of depreciation and any corporate-level or financing-related costs. NOI reflects the operating performance of a community and allows for an easy comparison of the operating performance of individual communities or groups of communities. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impacts to overhead by acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or group of assets. The Company defines same-property NOI as same-property revenues less same-property operating expenses, including property taxes. Please see the reconciliation of earnings from operations to NOI and same-property NOI, which in the table below is the NOI for stabilized properties consolidated by the Company for the periods presented (dollars in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Earnings from operations	\$ 130,341	\$ 228,143	\$ 584,342	\$ 595,229
Adjustments:				
Corporate-level property management expenses	11,485	10,172	45,872	40,704
Depreciation and amortization	138,016	135,758	548,438	539,319
Management and other fees from affiliates	(2,803)	(2,826)	(11,131)	(11,139)
General and administrative	19,739	16,036	63,474	56,577
Expensed acquisition and investment related costs	220	1,884	595	2,132
Casualty loss	-	-	433	-
Gain on sale of real estate and land	-	(94,416)	(59,238)	(94,416)
NOI	296,998	294,751	1,172,785	1,128,406
Less: Non-same property NOI	(13,261)	(17,303)	(54,179)	(56,058)
Same-Property NOI	\$ 283,737	\$ 277,448	\$ 1,118,606	\$ 1,072,348

### SAFE HARBOR STATEMENT UNDER THE PRIVATE LITIGATION REFORM ACT OF 1995:

This press release includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements which are not historical facts, including statements regarding the Company’s expectations, estimates, assumptions, hopes, intentions, beliefs and strategies regarding the future. Words such as “expects,” “assumes,” “anticipates,” “may,” “will,” “intends,” “plans,” “projects,” “believes,” “seeks,” “future,” “estimates,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Such forward-looking statements include, among other things, statements regarding the Company’s expectations related to the continued evolution of the work-from-home trend, the Company’s intent, beliefs or expectations with respect to the timing of completion of current development and redevelopment projects and the stabilization of such projects, the timing of lease-up and occupancy of its apartment communities, the anticipated operating performance of its apartment communities, the total projected costs of development and redevelopment projects, co-investment activities, qualification as a REIT under the Internal Revenue Code of 1986, as amended, the Company’s first quarter and full-year 2024 guidance (including net income, Total FFO and Core FFO and related assumptions, including with respect to GDP growth, job growth and market rent growth), 2024 same-property revenue, operating expenses and net

operating income generally and in specific regions, the real estate markets in the geographies in which the Company's properties are located and in the United States in general, the adequacy of future cash flows to meet anticipated cash needs, its financing activities and the use of proceeds from such activities, the availability of debt and equity financing, general economic conditions including the potential impacts from such economic conditions, inflation, the labor market, supply chain impacts, geopolitical tensions and regional conflicts, trends affecting the Company's financial condition or results of operations, changes to U.S. tax laws and regulations in general or specifically related to REITs or real estate, changes to laws and regulations in jurisdictions in which communities the Company owns are located, and other information that is not historical information. While the Company's management believes the assumptions underlying its forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control, which could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company cannot assure the future results or outcome of the matters described in these statements; rather, these statements merely reflect the Company's current expectations of the approximate outcomes of the matters discussed. Factors that might cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements include, but are not limited to, the following: potential future outbreaks of infectious diseases or other health concerns, which could adversely affect the Company's business and its tenants, and cause a significant downturn in general economic conditions, the real estate industry, and the markets in which the Company's communities are located; the Company may fail to achieve its business objectives; the actual completion of development and redevelopment projects may be subject to delays; the stabilization dates of such projects may be delayed; the Company may abandon or defer development or redevelopment projects for a number of reasons, including changes in local market conditions which make development less desirable, increases in costs of development, increases in the cost of capital or lack of capital availability, resulting in losses; the total projected costs of current development and redevelopment projects may exceed expectations; such development and redevelopment projects may not be completed; development and redevelopment projects and acquisitions may fail to meet expectations; estimates of future income from an acquired property may prove to be inaccurate; occupancy rates and rental demand may be adversely affected by competition and local economic and market conditions; there may be increased interest rates, inflation, escalated operating costs and possible recessionary impacts; geopolitical tensions and regional conflicts, and the related impacts on macroeconomic conditions, including, among other things, interest rates and inflation; the Company may be unsuccessful in the management of its relationships with its co-investment partners; future cash flows may be inadequate to meet operating requirements and/or may be insufficient to provide for dividend payments in accordance with REIT requirements; changes in laws or regulations; the terms of any refinancing may not be as favorable as the terms of existing indebtedness; unexpected difficulties in leasing of development projects; volatility in financial and securities markets; the Company's failure to successfully operate acquired properties; unforeseen consequences from cyber-intrusion; the Company's inability to maintain our investment grade credit rating with the rating agencies; government approvals, actions and initiatives, including the need for compliance with environmental requirements; and those further risks, special considerations, and other factors referred to in the Company's annual report on Form 10-K for the year ended December 31, 2022, quarterly reports on Form 10-Q, and those risk factors and special considerations set forth in the Company's other filings with the SEC which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All forward-looking statements are made as of the date hereof, the Company assumes no obligation to update or supplement this information for any reason, and therefore, they may not represent the Company's estimates and assumptions after the date of this press release.

## **DEFINITIONS AND RECONCILIATIONS**

Non-GAAP financial measures and certain other capitalized terms, as used in this earnings release, are defined and further explained on pages S-18.1 through S-18.4, "Reconciliations of Non-GAAP Financial Measures and Other Terms," of the accompanying supplemental financial information. The supplemental financial information is available on the Company's website at [www.essex.com](http://www.essex.com).

### **Contact Information**

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